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North and Casey Said to Have Met Often About Lebanon Hostages, Aid to Contras

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WASHINGTON—Lt. Col. Oliver North often met privately with Central Intelligence Agency Director William Casey to discuss efforts to free American hostages in Lebanon and to help Nicaraguan rebels, administration sources said.

Senior administration officials have sought to portray Lt. Col. North, the National Security Council aide who was fired for his role in the Iran-Contra affair, as someone who acted alone. But intelligence sources said he worked closely with Mr. Casey and enjoyed unusual, direct access to the CIA director.

For example, the two officials worked together last April to mount an unsuccessful "sting" operation to free Peter Kilburn, one of the hostages in Lebanon, intelligence sources said. The body of Mr. Kilburn, a librarian, was found in April in Lebanon.

The sources said it isn't known whether Lt. Col. North told Mr. Casey during their meetings about his efforts to divert profits from Iranian arms sales to the Nicaraguan insurgents, known as the Contras. The CIA director has denied knowing about the diversions before last month, when Attorney General Edwin Meese made them public.

But the sources said that Mr. Casey was a driving force behind both the Contra cause and the administration's arms sales to Iran. Mr. Casey still is listed in stable condition at Georgetown University Hospital following the removal of a malignant brain tumor last week.

Push for Arms Sales

They said, for instance, that Mr. Casey last January pushed for U.S. arms sales to Iran through an Iranian arms dealer, Manucher Ghorbanifar, even though Mr. Ghorbanifar had failed a CIA polygraph test.

"It was Casey who authenticated Ghorbanifar," said one administration official. "He was pushing him and pushing him."

Even after William Buckley, the CIA station chief in Beirut who had been abducted in 1984, was reported to have been murdered in 1985, Mr. Casey's interest in freeing the remaining hostages never flagged, intelligence sources said.

Last March, the sources said, the CIA was told that Moammar Gadhafi, Libya's leader, had offered to pay a Lebanese criminal group a large sum of money, perhaps several million dollars, to gain control of Mr. Kilburn. The CIA previously had learned from a paid informant in the Lebanese underworld that Mr. Kilburn had been kidnapped for money, not seized by religious extremists for political reasons.

The sources said that at Mr. Casey's direction, Duane Claridge, the head of the CIA's Counterterrorism Center, working with Lt. Col. North and with agents from the Federal Bureau of Investigation, planned an elaborate "sting" to free Mr. Kilburn and to bring at least some of his kidnappers to justice.

The sources said the CIA recruited an intermediary to bid against Mr. Gadhafi for control of Mr. Kilburn. They said the CIA provided this intermediary with money, and instructed him to spend some of it in Lebanon to prove his wealth to the kidnappers.

Plan to Take Kilburn, Captors

At the same time, the sources said, the CIA arranged to have a boat off the Lebanese coast to serve as the transfer point for the ransom and Mr. Kilburn. The plan, the sources said, was to seize Mr. Kilburn and his captors without paying the ransom. "No money was to change hands," said one administration official.

But the intermediary, intelligence sources said, became accustomed to living his free-spending cover and didn't move swiftly enough to close the deal with Mr. Kilburn's kidnappers. After U.S. planes, some operating from bases in England, bombed Libya, intelligence sources said, Mr. Gadhafi paid the criminal group to murder Mr. Kilburn and two British hostages on April 16.

Lt. Col. North, however, retained at least one element of the plan in his next attempt to free the hostages, which took place a month later. After obtaining $2 million in ransom money from H. Ross Perot, the Texas billionaire, he again arranged to have a boat off the coast of Cyprus to serve as a transfer point for the money and the remaining hostages.

That time, no one ever appeared to claim the ransom or deliver the hostages, administration sources said.

Intelligence sources said Mr. Casey was "visibly shaken" last month when Lt. Col. North was fired. The sources said the two men frequently had discussed the National Security Council official's secret efforts to free the hostages and the condition of the Nicaraguan insurgents.

Administration sources said that although President Reagan, White House Chief of Staff Donald Regan, Mr. Casey and other top officials may not have known that Lt. Col. North was using the proceeds of Iranian arms sales to help the Nicaraguan rebels, they all were fully aware that he was helping to oversee a network of private contributors to the Contra cause.

"Getting aid to the Contras was a preoccupation of Reagan, Regan and Casey, as well as North," said one official. "Reagan certainly knew that Ollie was in charge of efforts to get help for the Contras."

The CIA appears headed for a period of some uncertainty. Administration sources said Mr. Casey hasn't recuperated as well as expected from the cancer surgery, and officials have begun assembling lists of possible successors. Among those who have been mentioned are Mr. Casey's deputy, Robert Gates; Army Lt. Gen. William Odom, a veteran intelligence officer who now heads the National Security Agency; and the former deputy director of the CIA, Adm. Bobby Ray Inman.

In the past, Adm. Inman has said he doesn't want to return to government service. Mr. Gates is believed to have testified to a Senate committee that Lt. Col. North mentioned an Iran-Contra connection during an October luncheon with Mr. Casey.

Former Republican Sen. John Tower of Texas, who also has served as Mr. Reagan's strategic arms negotiator, and Sen. Malcolm Wallop (R., Wyo.), also have been mentioned, officials said. But some White House aides noted that appointing Sen. Wallop, whose current term ends in 1989, could cost the GOP a Senate seat because Wyoming's governor, who would appoint a temporary replacement for Wallop, is a Democrat. Former Undersecretary of State Lawrence Eagleburger, now president of Kissinger Associates, had expressed some interest in the CIA job before Mr. Casey fell ill, but his ties to former Secretary of State Henry Kissinger don't play well with Republican conservatives.

Separately, officials of the Justice Department and the FBI said they have agreed to requests by independent counsel Lawrence Walsh for help in tracking bank records. Mr. Walsh asked in several letters that Mr. Meese, other department officials and the FBI provide assistance while Mr. Walsh prepares for his investigation of the Iran-Contra affair.

Mr. Walsh asked the department, in his behalf, to continue efforts to gain access to bank records in Switzerland, Panama, the Cayman Islands and possibly other Caribbean havens of bank secrecy. Investigators

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suspect the accounts were set up by middlemen or companies they controlled to handle funds connected with U.S. arms sales to Iran.

Officials familiar with the request said Mr. Walsh apparently is concerned about protecting bank records, deposits and other evidence during the several weeks he probably will need to hire his own team of investigators and begin a full-scale probe.

Mr. Walsh, according to Justice Department officials, also said that even after his staff is on board, he will rely on FBI agents and some of the Justice Department's international financial specialists to do much of the detailed investigative work. Associate Attorney General Stephen Trott, the third-highest appointee in the department, has been designated as the primary contact with Mr. Walsh.

Mr. Walsh has said he will start with a "relatively small" staff and increase it as the investigation proceeds. Under the arrangement worked out with Mr. Walsh, officials said the FBI also has been instructed to turn over all of its files dealing with its investigation of Southern Air Transport, a Miami-based cargo airline hired by the U.S. to ship arms to Iran and suspected of carrying arms to the Contras. In late October, Mr. Meese was persuaded by former National Security Adviser John Poindexter to delay the Southern Air probe. Mr. Trott, at Mr. Meese's behest, is said to have relayed Mr. Poindexter's request to the FBI.

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